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RIVERLAND MEDICAL CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
AND
FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED
SEPTEMBER 30, 2007, 2006 AND 2005

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 4/2/08

PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
d/b/a RIVERLAND MEDICAL CENTER
YEARS ENDED SEPTEMBER 30, 2007, 2006 AND 2005

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PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
d/b/a RIVERLAND MEDICAL CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2007

This section of the District's annual financial report presents background information and management's analysis of the District's financial performance during the fiscal years that ended on September 30, 2007, 2006 and 2005. Please read it in conjunction with the financial statements beginning on page 3 and notes to the financial statements beginning on page 7 in this report.

Financial Highlights

- The District's total assets decreased by approximately \$762,000 or 11%, \$1,662,000 or approximately 20%, during fiscal years 2007 and 2006. Compared to a decrease of \$283,000 (3%) in fiscal year 2005, this is the third straight decrease in three years. Contributing factors are recording of liability for overpayment of UCC in fiscal year 2007 in the amount of \$284,000 coupled with a decrease in cost report settlement received at year end. The decrease in 2006 was due primarily to recoupment by Medicare of remainder of overpayment from FY 2004.
- During fiscal year 2007, the District's total operating revenues decreased approximately \$869,000 compared to an increase of \$242,000 in fiscal year 2006. In fiscal year 2005 operating revenues decreased by \$927,000. A decrease in gross patient service revenue of \$1,107,000 caused by decrease in patient volume and the closing of labor and delivery were the major contributing factors of FY 2007 decrease in operating revenues. Recoupment of FY 2004 Medicare overpayments contributed to the 2006 and the 2005 decreases. The District had a gain from operations of approximately \$106,000, a loss of \$15,000 and a gain of \$172,000 in fiscal years 2007, 2006 and 2005, respectively.
- Net patient service revenue decreased in fiscal year 2007 by approximately \$1,003,000 compared to an increase of \$205,000 and \$996,000 in 2006 and 2005, respectively. As stated above, decrease in patient volume and the closing of labor and delivery were contributing factors as well as the recording of the overpayment of \$284,000 in UCC funds in fiscal year 2007. The increase in net patient service revenue in 2005 was in large part due to a decrease in contractual adjustments for Medicare and Medicaid.
- The District had net assets of approximately \$3,273,000 as of September 30, 2007.

Required Financial Statements

The financial statements of the District report information about the District using Governmental Accounting Standards Board (GASB) accounting principles. These financial statements offer short-term and long-term financial information about its activities. The balance sheets include all of the District's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenues and expenses are accounted for in the statements of revenue, expenses and changes in net assets. This statement measures improvements in the District's operations over the past two years and can be used to determine whether the District has been able to recover all of its costs through its patient service revenue and other revenue sources. The final required financial statement is the statements of cash flows. The primary purpose of this statement is to provide information about the District's cash from operations, investing and financing activities, and to provide answers to such questions as where did cash come from, what was cash used for and what was the change in cash balance during the reporting period.

PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
d/b/a RIVERLAND MEDICAL CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
SEPTEMBER 30, 2007

Financial Analysis of the District

The balance sheets and the statements of revenue, expenses and changes in net assets report information about the District's activities. These two statements report the net assets of the District and changes in them. Increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. However, other nonfinancial factors such as changes in the health care industry, changes in Medicare and Medicaid regulations and changes in managed care contracting should also be considered.

Net Assets

A summary of the District's Balance Sheets is presented in Table 1 below:

TABLE 1
Condensed Balance Sheets

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Total current assets	\$ 2,786,582	\$ 3,239,424	\$ 4,661,986	\$ 5,062,346
Capital assets - net	2,829,758	3,135,838	3,383,814	3,274,452
Other assets	<u>278,459</u>	<u>281,130</u>	<u>272,105</u>	<u>264,384</u>
 Total assets	 \$ <u>5,894,799</u>	 \$ <u>6,656,392</u>	 \$ <u>8,317,905</u>	 \$ <u>8,601,182</u>
 Current liabilities	 \$ 2,107,900	 \$ 2,736,491	 \$ 4,191,031	 \$ 4,893,928
Long-term debt outstanding and other long-term liabilities	<u>513,864</u>	<u>685,899</u>	<u>818,796</u>	<u>519,943</u>
 Total liabilities	 <u>2,621,764</u>	 <u>3,422,390</u>	 <u>5,009,827</u>	 <u>5,413,871</u>
 Invested in capital assets, net of related debt	 1,697,386	 1,932,806	 2,389,855	 2,598,692
Unrestricted net assets	<u>1,575,649</u>	<u>1,301,196</u>	<u>918,223</u>	<u>588,619</u>
 Total net assets	 <u>3,273,035</u>	 <u>3,234,002</u>	 <u>3,308,078</u>	 <u>3,187,311</u>
 Total liabilities and net assets	 \$ <u>5,894,799</u>	 \$ <u>6,656,392</u>	 \$ <u>8,317,905</u>	 \$ <u>8,601,182</u>

As can be seen in Table 1, total assets decreased by \$762,000, \$1,662,000 in fiscal years 2007 and 2006, respectively. Decrease in estimated third party payor settlements was one of the major factors for the decrease in fiscal year 2007. Decreases in property, plant and equipment balances also contributed and were due to disposal of obsolete equipment with the related accumulated depreciation. The change in total assets in fiscal year 2006 was due primarily to recoupment of \$2,000,000 prior year's liability owed to Medicare.

PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
d/b/a RIVERLAND MEDICAL CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
SEPTEMBER 30, 2007

Summary of Revenue, Expenses and Changes in Net Assets

The following table presents a summary of the District's historical revenues and expenses for each of the fiscal years ended September 30, 2007, 2006, 2005 and 2004.

TABLE 2
Condensed Statements of Revenue, Expenses and
Changes in Net Assets

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Revenue:				
Net patient service revenue	\$ 10,571,822	\$ 11,574,952	\$ 11,370,118	\$ 10,373,926
Sales tax revenue	556,395	497,680	420,770	427,487
Other revenue	<u>347,182</u>	<u>272,132</u>	<u>311,416</u>	<u>374,045</u>
Total revenue	11,475,399	12,344,764	12,102,304	11,175,458
Expenses:				
Salaries and benefits	6,236,868	7,108,671	6,428,123	6,874,082
Medical supplies and drugs	1,412,719	1,500,060	1,684,188	1,719,177
Insurance	319,413	263,368	323,793	290,612
Professional fees	1,148,765	1,130,881	1,308,340	1,509,618
Other expenses	1,820,016	1,935,326	1,760,951	1,743,980
Depreciation and amortization	<u>432,107</u>	<u>421,627</u>	<u>424,873</u>	<u>373,573</u>
Total expenses	<u>11,369,888</u>	<u>12,359,933</u>	<u>11,930,268</u>	<u>12,511,042</u>
Operating income (loss)	105,511	(15,169)	172,036	(1,335,584)
Nonoperating income:				
Interest expense	(68,885)	(67,077)	(49,719)	(37,213)
Interest income	8,822	7,770	5,739	1,502
Gain (loss) on disposal of assets	<u>(6,415)</u>	<u>400</u>	<u>(7,289)</u>	<u>(27)</u>
Excess of revenue (expenses)	39,033	(74,076)	120,767	(1,371,322)
Net assets at beginning of year	<u>3,234,002</u>	<u>3,308,078</u>	<u>3,187,311</u>	<u>4,558,633</u>
Net assets at end of year	\$ <u>3,273,035</u>	\$ <u>3,234,002</u>	\$ <u>3,308,078</u>	\$ <u>3,187,311</u>

PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
d/b/a RIVERLAND MEDICAL CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
SEPTEMBER 30, 2007

Sources of Revenue

Operating Revenue

During fiscal year 2007, the District derived the majority of its total revenue from patient service revenue. Patient service revenue includes revenue from the Medicare and Medicaid programs and patients, or their third-party payers, who receive care in the District's facilities. The District was overpaid by \$284,000 in Uncompensated Care reimbursement. This overpayment was recorded as an adjustment to operating revenue. Reimbursement for the Medicare and Medicaid programs and the third-party payers is based upon established contracts. The difference between the covered charges and the established contract is recognized as a contractual allowance. Other revenue includes cafeteria sales, sales tax revenue and grant revenue.

Also during fiscal year 2005, on November 1, 2004 the District converted to a critical access hospital. This resulted in Medicare reimbursements being based on cost rather than a prospectively determined rate per discharge. The District substantially increased the use of swing beds, which resulted in increased patient revenue from Medicare.

Capital Assets

During fiscal year 2007, total capital assets decreased by \$723,000 compared to an increase of \$158,000 in 2006 and a decrease of \$1,787,000 in 2005. The decrease in fiscal year 2007 is the result of disposal of obsolete fully depreciated equipment, the sale of surplus equipment and the sale of the equipment used in labor and delivery.

TABLE 3
Capital Assets

	September 30, <u>2007</u>	September 30, <u>2006</u>	September 30, <u>2005</u>	September 30, <u>2004</u>
Land and land improvements	\$ 255,927	\$ 255,927	\$ 255,927	\$ 255,927
Buildings and fixed equipment	5,010,696	5,031,279	5,021,039	5,121,210
Leasehold improvements	4,679	27,197	27,197	27,197
Equipment	<u>3,895,130</u>	<u>4,574,861</u>	<u>4,427,295</u>	<u>6,114,479</u>
Total	9,166,432	9,889,264	9,731,458	11,518,813
Less: accumulated depreciation	<u>6,336,674</u>	<u>6,753,426</u>	<u>6,347,644</u>	<u>8,244,361</u>
Net property, plant, and equipment	\$ <u>2,829,758</u>	\$ <u>3,135,838</u>	\$ <u>3,383,814</u>	\$ <u>3,274,452</u>

Net property, plant and equipment have decreased because of removal of unusable and discarded assets from the depreciation schedule. The District leased new copiers in 2007 in the amount of \$100,000 and purchased various pieces of equipment. In 2006, a new telemetry system was leased and Radiology and Respiratory equipment were purchased.

PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
d/b/a RIVERLAND MEDICAL CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
SEPTEMBER 30, 2007

Long-term Debt

At year-end, the District had \$514,000 in long-term debt compared to \$686,000 and \$819,000 at end of fiscal years 2006 and 2005, respectively. The 2007 decrease in long-term debt is primarily due to the repayment of \$300,000 Certificate of Indebtedness 2006 Series and repayment of capital leases. Total long-term debt outstanding represents 9% of the District's total assets at September 30, 2007, as compared to 10% in 2006 and 10% in 2005.

Contacting the District's Financial Manager

This financial report is designed to provide our citizens, customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Riverland Medical Center Administration.



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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Parishwide Hospital Service District
Parish of Concordia, State of Louisiana
(d/b/a Riverland Medical Center)
Ferriday, Louisiana

We have audited the accompanying financial statements of Parishwide Hospital Service District of the Parish of Concordia, State of Louisiana, d/b/a Riverland Medical Center (the "District"), a component unit of the Concordia Parish Police Jury, as of and for the years ended September 30, 2007, 2006 and 2005, as listed in the foregoing table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Riverland Medical Center, as of September 30, 2007, 2006 and 2005, and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that Riverland Medical Center will continue as a going concern. As discussed in Note 20 to the financial statements, under existing circumstances, there is substantial doubt about the ability of Riverland Medical Center to continue as a going concern at September 30, 2007. Management's plans in regard to that matter also are described in Note 20. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Board of Commissioners
Parishwide Hospital Service District
Parish of Concordia, State of Louisiana
(d/b/a Riverland Medical Center)
Ferryday, Louisiana
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In accordance with Government Auditing Standards, we have also issued our report dated February 11, 2008, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Management's discussion and analysis on pages "i" through "v" is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Lester, Mulla & Wells

Certified Public Accountants
February 11, 2008



PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
d/b/a RIVERLAND MEDICAL CENTER
BALANCE SHEETS
SEPTEMBER 30,

	<u>2007</u>	<u>2006</u>	<u>2005</u>
ASSETS			
Current Assets			
Cash and cash equivalents (Note 3)	\$ 278,160	\$ 53,565	\$ 1,966,980
Accounts receivable, net of estimated uncollectibles (Note 4)	1,986,583	2,041,423	2,355,229
Inventory	398,693	346,813	279,125
Prepaid expenses	119,946	56,560	57,890
Estimated third-party payor settlements	-0-	737,953	-0-
Other receivables	<u>3,200</u>	<u>3,110</u>	<u>2,762</u>
Total Current Assets	<u>2,786,582</u>	<u>3,239,424</u>	<u>4,661,986</u>
Non-Current Assets			
Property, plant and equipment, net (Note 5)	2,829,758	3,135,838	3,383,814
Other assets (Note 6)	<u>278,459</u>	<u>281,130</u>	<u>272,105</u>
Total Assets	<u>\$ 5,894,799</u>	<u>\$ 6,656,392</u>	<u>\$ 8,317,905</u>
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable	\$ 230,188	\$ 606,176	\$ 289,744
Accrued expenses and withholdings payable (Note 7)	1,214,921	1,613,182	1,134,053
Estimated third-party payor settlements (Note 9)	44,283	-0-	2,592,071
Current maturities of long-term debt	<u>618,508</u>	<u>517,133</u>	<u>175,163</u>
Total Current Liabilities	<u>2,107,900</u>	<u>2,736,491</u>	<u>4,191,031</u>
Long-term debt, net of current maturities (Note 11)	<u>513,864</u>	<u>685,899</u>	<u>818,796</u>
Total Liabilities	<u>2,621,764</u>	<u>3,422,390</u>	<u>5,009,827</u>
Net Assets			
Invested in capital assets, net of related debt	1,697,386	1,932,806	2,389,855
Unrestricted net assets	<u>1,575,649</u>	<u>1,301,196</u>	<u>918,223</u>
Total Net Assets	<u>3,273,035</u>	<u>3,234,002</u>	<u>3,308,078</u>
Total Liabilities and Net Assets	<u>\$ 5,894,799</u>	<u>\$ 6,656,392</u>	<u>\$ 8,317,905</u>

See accompanying notes to financial statements.

PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
d/b/a RIVERLAND MEDICAL CENTER
STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED SEPTEMBER 30,

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Revenue			
Net patient service revenue	\$ 10,571,822	\$ 11,574,952	\$ 11,370,118
Sales tax revenue (Note 15)	556,395	497,680	420,770
Grant revenue	43,811	34,612	42,081
Other	<u>303,371</u>	<u>237,520</u>	<u>269,335</u>
Total Revenue	<u>11,475,399</u>	<u>12,344,764</u>	<u>12,102,304</u>
Expenses			
Salaries and benefits	6,236,868	7,108,671	6,428,123
Medical supplies and drugs	1,412,719	1,500,060	1,684,188
Professional fees	1,148,765	1,130,881	1,308,340
Other expenses	1,440,782	1,567,827	1,371,166
Lease expense	72,322	50,168	76,397
Insurance	319,413	263,368	323,793
Retirement	306,912	317,331	313,388
Depreciation and amortization	<u>432,107</u>	<u>421,627</u>	<u>424,873</u>
Total Expenses	<u>11,369,888</u>	<u>12,359,933</u>	<u>11,930,268</u>
Operating Income (Loss)	<u>105,511</u>	<u>(15,169)</u>	<u>172,036</u>
Non-Operating Income (Expenses)			
Interest expense	(68,885)	(67,077)	(49,719)
Interest income	8,822	7,770	5,739
Gain (loss) on disposal of assets	<u>(6,415)</u>	<u>400</u>	<u>(7,289)</u>
Excess of (Expenses) Over Revenue	39,033	(74,076)	120,767
Net Assets at Beginning of Year	<u>3,234,002</u>	<u>3,308,078</u>	<u>3,187,311</u>
Net Assets at End of Year	\$ <u>3,273,035</u>	\$ <u>3,234,002</u>	\$ <u>3,308,078</u>

See accompanying notes to financial statements.

PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
d/b/a RIVERLAND MEDICAL CENTER
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30,

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:			
Cash received from patients and third-party payors	\$ 11,408,898	\$ 8,558,734	\$ 11,257,534
Other operating cash receipts	903,487	769,464	731,992
Cash paid to employees and for employee-related cost	(6,942,041)	(6,946,873)	(6,598,041)
Cash payments for other operating expenses	<u>(4,885,255)</u>	<u>(4,262,232)</u>	<u>(4,953,951)</u>
Net cash provided (used) by operating activities	<u>485,089</u>	<u>(1,880,907)</u>	<u>437,534</u>
Cash flows from investing activities:			
Collections on physician and nurse loans	24,000	38,533	35,733
Loans to physicians and nursing students	(22,500)	(48,104)	(44,000)
Interest income	<u>8,822</u>	<u>7,770</u>	<u>5,739</u>
Net cash provided (used) by investing activities	<u>10,322</u>	<u>(1,801)</u>	<u>(2,528)</u>
Cash flows from financing activities:			
Principal payments on short-term debt	(300,000)	-0-	-0-
Interest expense on short-term debt	(21,829)	(3,772)	-0-
Proceeds from short-term debt	<u>400,000</u>	<u>300,000</u>	<u>-0-</u>
Net cash provided (used) by financing activities	<u>78,171</u>	<u>296,228</u>	<u>-0-</u>
Cash flows from capital and related financing activities:			
Principal payments on long-term debt	(271,156)	(204,229)	(209,501)
Interest expense on long-term debt	(47,056)	(63,305)	(49,719)
Proceeds from long-term debt	100,496	113,302	527,700
Proceeds from disposal of assets	(6,415)	400	24,643
Acquisition of property, plant and equipment	<u>(124,856)</u>	<u>(173,103)</u>	<u>(565,621)</u>
Net cash provided (used) by capital and related financing activities:	\$ <u>(348,987)</u>	\$ <u>(326,935)</u>	\$ <u>(272,498)</u>

See accompanying notes to financial statements.

PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
d/b/a RIVERLAND MEDICAL CENTER
STATEMENTS OF CASH FLOWS (Continued)
YEARS ENDED SEPTEMBER 30,

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Net increase (decrease) in cash and cash equivalents	\$ 224,595	\$ (1,913,415)	\$ 162,508
Beginning cash and cash equivalents (overdraft)	<u>53,565</u>	<u>1,966,980</u>	<u>1,804,472</u>
Ending cash and cash equivalents (overdraft)	\$ <u>278,160</u>	\$ <u>53,565</u>	\$ <u>1,966,980</u>
Supplemental disclosures of cash flow information:			
Cash paid during the period for interest	\$ <u>68,885</u>	\$ <u>67,077</u>	\$ <u>49,719</u>
Equipment acquired under capital lease	\$ <u>100,496</u>	\$ <u>110,062</u>	\$ <u>82,017</u>
Reconciliation of income from operations to net cash provided by operating activities:			
Operating income (loss)	\$ 105,511	\$ (15,169)	\$ 172,036
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	432,107	421,627	424,873
Changes in:			
Net patient accounts receivable	54,840	313,806	541,575
Estimated third-party payor settlements	782,236	(3,330,024)	(654,159)
Inventory	(51,880)	(67,688)	12,878
Prepaid expenses	(63,386)	1,330	8,609
Other receivables	(90)	(348)	(194)
Accounts payable	(375,988)	316,430	(211,555)
Accrued expenses and withholdings payable	<u>(398,261)</u>	<u>479,129</u>	<u>143,471</u>
Net cash provided (used) by operating activities	\$ <u>485,089</u>	\$ <u>(1,880,907)</u>	\$ <u>437,534</u>

See accompanying notes to financial statements.

PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
d/b/a RIVERLAND MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2007, 2006 AND 2005

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organization

Parishwide Hospital Service District of the Parish of Concordia, State of Louisiana (referred to as "the District" or the "Hospital") was created by an ordinance of the Concordia Parish Police Jury on April 26, 1961, and was referred to as Concordia Parish Hospital until January 13, 1986, when the name was changed to Riverland Medical Center.

The District is a political subdivision of the Concordia Parish Police Jury whose jurors are elected officials. Its commissioners are appointed by the Concordia Parish Police Jury. As the governing authority of the Parish, for reporting purposes, the Concordia Parish Police Jury is the financial reporting entity for the District. Accordingly, the District was determined to be a component unit of the Concordia Parish Police Jury based on Statement No. 14 of the National Committee on Governmental Accounting. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the police jury, the general governmental services provided by that governmental unit or the other governmental units that comprise the financial reporting entity.

Nature of Business

The District provides outpatient, emergency, inpatient acute hospital services, skilled nursing (through "swing bed"), clinic and home health services (by joint venture effective July 15, 2000). On November 1, 2004, the Hospital converted to a 25 bed critical access hospital (CAH). On November 28, 2006, the Hospital ceased labor and delivery services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

Enterprise Fund

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Basis of Accounting

The Hospital uses the enterprise method of accounting. Revenues and expenses are recognized on the accrual basis using the economic measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, as amended, the District has elected not to apply Financial Accounting Standards Board pronouncements issued after November 30, 1989. Such accounting and reporting procedures conform to the requirements of Louisiana Revised Statute 24:514 and to the guide set

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

forth in the Louisiana Governmental Audit Guide, and to the AICPA, Audit and Accounting Guide - Health Care Organizations, published by the American Institute of Certified Public Accountants, and standards set by the Governmental Accounting Standards Board (GASB), which is the accepted standard setting body for establishing governmental accounting and financial reporting principles in the United States of America.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of deposits in checking and certificates of deposit with original maturities of 90 days or less. Certificates of deposit with original maturities of more than 90 days are classified as short-term investments. Cash and cash equivalents and short-term investments are stated at cost, which approximates market value. The caption "cash and cash equivalents" does not include amounts whose use is limited or temporary cash investments.

Inventory

Inventories are stated at the lower of cost determined by the first-in, first-out method, or market basis.

Income Taxes

The entity is a political subdivision and exempt from taxation.

Property, Plant and Equipment

Property, plant and equipment is recorded at cost for purchased assets or at fair market value on the date of any donation. The District uses straight-line method of determining depreciation for financial reporting and third-party reimbursement. The following estimated useful lives are generally used.

Buildings	25 to 40 years
Machinery and Equipment	5 to 20 years
Furniture and Fixtures	5 to 15 years

Expenditures for additions, major renewals and betterments are capitalized and expenditures for maintenance and repairs are charged to operations as incurred.

The cost of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts in the years of disposal. Gains or losses resulting from property disposal are currently credited or charged to nonoperating revenue.

Net Assets

Net assets consist of net assets invested in capital assets (property and equipment, net of related debt; and unrestricted net assets. Net assets invested in capital assets, net of related debt consist of capital assets net of accumulated depreciation and the outstanding balance of any related debt that is attributable to the acquisition of the capital assets. Unrestricted net assets consist of all other assets. When both restricted and unrestricted

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed

Revenue and Expenses

The District's statements of revenue, expenses and changes in net assets distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services – the District's principal activity. Non exchange revenues are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services.

Charity Care

The District provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the District does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Uncollectible Accounts

The District's estimate of collectibility is based on an evaluation of historical collections compared to gross revenue to establish an allowance for uncollectible accounts.

Credit Risk

The District provides medical care to Concordia Parish residents and grants credit to patients, substantially all of whom are local residents. The District's estimate of collectibility is based on an evaluation of historical collections compared to gross revenues to establish an allowance for uncollectible accounts.

Significant Concentration of Economic Dependence

The District has an economic dependence on a small number of staff physicians who admit over 90% of the District's patients. The District also has an economic dependence on Medicare and Medicaid as sources of payments as shown in the table in Note 13. Accordingly, changes in federal or state legislation or interpretations of rules have a significant impact on the District.

Net Patient Service Revenue

The District has entered into agreements with third-party payors, including government programs, health insurance companies and managed care health plans, under which the District is paid based upon established charges, the cost of providing services, predetermined rates per diagnosis, fixed per diem rates or discounts from established charges.

Revenues are recorded at estimated amounts due from patients and third-party payors for the hospital services provided. Settlements under reimbursement agreements with third-party payors are estimated and recorded in

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

the period the related services are rendered and are adjusted in future periods as final settlements are determined.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 - DEPOSITS AND INVESTMENTS

As of September 30, 2007, the balances reported by financial institutions for cash totaled \$617,495. Of the total, \$235,192 was covered by federal depository insurance, \$328,003 was collateralized with securities held by the pledging bank in the District's name, and \$54,300 was not collateralized.

As of September 30, 2006, the balances reported by financial institutions for cash totaled \$236,203. Of the total, \$141,614 was covered by federal depository insurance and \$94,589 was collateralized with securities held by the pledging bank in the District's name.

As of September 30, 2005, the balances reported by financial institutions for cash totaled \$2,113,536. Of the total, \$163,351 was covered by federal depository insurance and \$1,950,185 was collateralized with securities held by the pledging bank in the District's name.

Investing is performed in accordance with investment policies complying with state statutes. Funds may be invested in direct obligations of the United States Government and its agencies pledged by its full faith and credit, certificates of deposit and savings accounts which are secured by FDIC or pledged of securities and government backed mutual or trust funds.

Custodial Credit Risks – Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. Louisiana state statutes require that all of the deposits of the District be protected by insurance or collateral. The fair value of the collateral pledged must equal 100% of the deposits not covered by insurance. At September 30, 2007, \$54,300 was not insured or collateralized. The District's deposits were entirely insured or entirely collateralized by securities held by the pledging bank's trust department in the District's name at September 30, 2006 and 2005.

Interest Rate Risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer an investment takes to mature, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

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NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Carrying amount			
Deposits	\$ <u>278,160</u>	\$ <u>53,565</u>	\$ <u>1,966,980</u>
Included in the following balance sheet captions			
Cash and cash equivalents	\$ <u>278,160</u>	\$ <u>53,565</u>	\$ <u>1,966,980</u>

NOTE 4 - ACCOUNTS RECEIVABLE

A summary of accounts receivable is presented below:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Net patient accounts receivable	\$ 3,780,583	\$ 5,856,423	\$ 5,400,229
Estimated uncollectibles	<u>(1,794,000)</u>	<u>(3,815,000)</u>	<u>(3,045,000)</u>
Total	\$ <u>1,986,583</u>	\$ <u>2,041,423</u>	\$ <u>2,355,229</u>

The following is a summary of the mix of receivables from patients and third-party payors at September 30:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Medicare	42%	39%	21%
Medicaid	13%	8%	13%
Commercial and other third-party payors	29%	27%	42%
Self-pay	<u>16%</u>	<u>26%</u>	<u>24%</u>
	<u>100%</u>	<u>100%</u>	<u>100%</u>

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NOTE 5 - PROPERTY, PLANT AND EQUIPMENT

The following is a summary of property, plant and equipment and related accumulated depreciation:

	September 30, <u>2006</u>	<u>Additions</u>	<u>Dispositions</u>	September 30, <u>2007</u>
Land	\$ 116,996	\$ -0-	\$ -0-	\$ 116,996
Land improvements	138,931	-0-	-0-	138,931
Leasehold improvements	27,197	4,679	27,197	4,679
Building & fixed equipment	5,031,279	6,111	26,694	5,010,696
Major moveable equipment	<u>4,574,861</u>	<u>167,314</u>	<u>847,045</u>	<u>3,895,130</u>
Total	9,889,264	178,104	900,936	9,166,432
Accumulated depreciation	<u>6,753,426</u>	<u>424,670</u>	<u>841,422</u>	<u>6,336,674</u>
Net property, plant and equipment	\$ <u>3,135,838</u>	\$ <u>(246,566)</u>	\$ <u>59,514</u>	\$ <u>2,829,758</u>

	September 30, <u>2005</u>	<u>Additions</u>	<u>Dispositions</u>	September 30, <u>2006</u>
Land	\$ 116,996	\$ -0-	\$ -0-	\$ 116,996
Land improvements	138,931	-0-	-0-	138,931
Leasehold improvements	27,197	-0-	-0-	27,197
Building & fixed equipment	5,021,039	10,240	-0-	5,031,279
Major moveable equipment	<u>4,427,295</u>	<u>162,863</u>	<u>15,297</u>	<u>4,574,861</u>
Total	9,731,458	173,103	15,297	9,889,264
Accumulated depreciation	<u>6,347,644</u>	<u>421,079</u>	<u>15,297</u>	<u>6,753,426</u>
Net property, plant and equipment	\$ <u>3,383,814</u>	\$ <u>(247,976)</u>	\$ <u>-0-</u>	\$ <u>3,135,838</u>

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NOTE 5 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	September 30, <u>2004</u>	<u>Additions</u>	<u>Dispositions</u>	September 30, <u>2005</u>
Land	\$ 116,996	\$ -0-	\$ -0-	\$ 116,996
Land improvements	138,931	-0-	-0-	138,931
Leasehold improvements	27,197	-0-	-0-	27,197
Building & fixed equipment	5,121,210	18,620	118,791	5,021,039
Major moveable equipment	<u>6,114,479</u>	<u>547,001</u>	<u>2,234,185</u>	<u>4,427,295</u>
 Total	 11,518,813	 565,621	 2,352,976	 9,731,458
Accumulated depreciation	<u>8,244,361</u>	<u>424,327</u>	<u>2,321,044</u>	<u>6,347,644</u>
 Net property, plant and equipment	 \$ <u>3,274,452</u>	 \$ <u>141,294</u>	 \$ <u>31,932</u>	 \$ <u>3,383,814</u>

The hospital facility was originally built by the Concordia Parish Police Jury which issued ad valorem tax bonds to finance its construction. The facility assets were transferred to the District's financial statements with corresponding increases in fund balance.

Property, plant and equipment include fully depreciated assets which are still in service in the amount of \$3,237,573, \$3,780,888 and \$3,648,380 for 2007, 2006 and 2005, respectively.

A summary of assets held under capital leases, which are included in property, plant and equipment, at September 30 follows:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Equipment	\$ 1,100,581	\$ 1,723,209	\$ 722,126
Accumulated depreciation	<u>(712,289)</u>	<u>(696,305)</u>	<u>(538,149)</u>
 Total	 \$ <u>388,292</u>	 \$ <u>1,026,904</u>	 \$ <u>183,977</u>

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NOTE 6 - OTHER ASSETS

Other assets consist of the following:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Notes receivable from medical students and doctors less estimated uncollectibles	\$ 110,861	\$ 114,861	\$ 96,801
Notes receivable from nursing students	1,875	-0-	8,533
Unamortized bond issue cost	3,505	4,051	4,553
LHA Trust Fund equity	<u>162,218</u>	<u>162,218</u>	<u>162,218</u>
 Total	 \$ <u>278,459</u>	 \$ <u>281,130</u>	 \$ <u>272,105</u>

NOTE 7 - ACCRUED EXPENSES AND WITHHOLDINGS PAYABLE

Accrued expenses and withholdings payable at September 30 consist of the following:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
State and federal taxes payable	\$ 63,776	\$ 274,811	\$ 16,665
Accrued salaries and fees payable	225,797	225,514	167,800
Accrued compensated absences	469,176	449,614	432,868
Payroll withholdings payable	126,179	361,886	238,545
Louisiana mandated service charge	395	395	395
Vested sick pay payable	316,956	300,962	277,780
Accrued interest payable	<u>12,642</u>	<u>-0-</u>	<u>-0-</u>
 Total	 \$ <u>1,214,921</u>	 \$ <u>1,613,182</u>	 \$ <u>1,134,053</u>

NOTE 8 - COMPENSATED ABSENCES

Employees of the District are entitled to paid vacation and sick days depending on job classification, length of service and other factors. It is impracticable to estimate the amount of accrued compensation for future unvested sick days and, accordingly, no liability has been recorded in the accompanying financial statements. However, vested vacation and vested sick pay for employees with over ten years of service and paid days off have been recorded as liabilities in the accompanying financial statements at employee earning rates in effect at the balance sheet date.

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NOTE 9 - ESTIMATED THIRD-PARTY PAYOR SETTLEMENTS

During May 2004, the District was overpaid \$4,341,960 due to a claims processing error. The Medicare intermediary recovered the overpayment through an offset of Medicare claims as they were processed. The balance due as of September 30, 2007, 2006 and 2005 was \$0, \$0 and \$2,632,162, respectively.

In fiscal year 2007 the District was overpaid \$284,000 with Disproportionate Share (UCC) payments. This overpayment was due to the timing of the UCC payments received during fiscal year 2007. The payments are based on prior period's cost reports and later recalculated by Department of Health and Hospitals (DHH) using current data. A liability was recorded on the District's books.

NOTE 10 - PENSION PLAN

The District administers and is trustee of a qualified defined contribution plan, Riverland Medical Center Money Purchase Pension Plan. An employee is 100% vested upon entry to the plan with retirement age being age 59 ½. Plan benefits include death and disability provisions and choice of four payment options upon retirement. Plan provisions may be amended by the plan trustee. The District contributes 6% of salaries to the plan. Employee mandatory contributions are 6% and employee voluntary contributions are up to 14%. Pension expense charged to operations was \$306,912, \$317,331, and \$313,388 in 2007, 2006 and 2005, respectively. Employee contributions for each fiscal year are summarized below:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Employee mandatory contributions	\$ 335,783	\$ 311,424	\$ 343,637
Employee voluntary contributions	<u>59,677</u>	<u>49,147</u>	<u>48,968</u>
Total	\$ <u>395,460</u>	\$ <u>360,571</u>	\$ <u>392,605</u>

NOTE 11 - LONG-TERM DEBT

The following is a summary of long-term debt, including capital lease obligations, at September 30:

	September 30 <u>2006</u>	<u>Additions</u>	<u>Payments</u>	September 30 <u>2007</u>	Due Within <u>One Year</u>
Series 2003 bonds	\$ 386,665	\$ -0-	\$ 45,917	\$ 340,748	\$ 47,907
Capital lease obligations	516,367	100,496	225,239	391,624	170,601
Series 2006 bonds	300,000	-0-	300,000	-0-	-0-
Series 2007 bonds	<u>-0-</u>	<u>400,000</u>	<u>-0-</u>	<u>400,000</u>	<u>400,000</u>
Total	\$ <u>1,203,032</u>	\$ <u>500,496</u>	\$ <u>571,156</u>	\$ <u>1,132,372</u>	\$ <u>618,508</u>

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NOTE 11 - LONG-TERM DEBT (Continued)

	September 30 2005			September 30 2006		
		<u>Additions</u>	<u>Payments</u>		<u>Due Within One Year</u>	
Series 2003 bonds	\$ 430,675	\$ -0-	\$ 44,010	\$ 386,665	\$ 45,918	
Capital lease obligations	563,284	113,302	160,219	516,367	171,215	
Series 2006 bonds	<u>-0-</u>	<u>300,000</u>	<u>-0-</u>	<u>300,000</u>	<u>300,000</u>	
Total	\$ <u>993,959</u>	\$ <u>413,302</u>	\$ <u>204,229</u>	\$ <u>1,203,032</u>	\$ <u>517,133</u>	

	September 30 2004			September 30 2005		
		<u>Additions</u>	<u>Payments</u>		<u>Due Within One Year</u>	
Series 2003 bonds	\$ 472,857	\$ -0-	\$ 42,182	\$ 430,675	\$ 44,010	
Capital lease obligations	<u>202,903</u>	<u>474,016</u>	<u>113,635</u>	<u>563,284</u>	<u>131,153</u>	
Total	\$ <u>675,760</u>	\$ <u>474,016</u>	\$ <u>155,817</u>	\$ <u>993,959</u>	\$ <u>175,163</u>	

The following are the terms and due dates of the Hospital's long-term debt at September 30:

- Series 2003 Certificates of Indebtedness, at a 4.25% interest rate, due in variable annual installments with full repayment at January 20, 2014, collateralized by a pledge and dedication of the District's excess annual revenues over expenses. Series 2003 Certificates of Indebtedness were issued for roof replacement.
- Capital leases at varying rates of imputed interest of 3.1% to 18.9%, with total monthly payments ranging from \$229 to \$7,295 until 2012, collateralized by leased equipment.
- Series 2006 Certificates of Indebtedness, at a 5.25% interest rate, due in one annual payment at March 1, 2007, collateralized by a pledge and dedication of the District's excess annual revenues over expenses. Series 2006 Certificates of Indebtedness were issued for current expenses.
- Series 2007 Certificates of Indebtedness, at a 5.25% interest rate, due in one annual payment at March 1, 2008, collateralized by a pledge and dedication of the District's excess annual revenues over expenses. Series 2007 Certificates of Indebtedness were issued for current expenses.

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NOTE 11 - LONG-TERM DEBT (Continued)

Scheduled principal and interest payments on long-term debt and capital leases are as follows:

<u>Year Ending September 30,</u>	<u>Long-Term Debt</u>		<u>Capital Leases</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 447,907	\$ 34,556	\$ 170,601	\$ 19,726
2009	49,983	11,480	124,027	10,323
2010	52,149	9,313	63,426	4,547
2011	54,409	7,054	23,577	1,881
2012	56,767	4,695	9,992	209
2013-2015	<u>79,534</u>	<u>2,416</u>	<u>-0-</u>	<u>-0-</u>
Totals	\$ <u>740,749</u>	\$ <u>69,514</u>	\$ <u>391,623</u>	\$ <u>36,686</u>

NOTE 12 - OPERATING LEASES

The District leases various equipment and offices under operating leases expiring in 2008. These leases are all cancelable with notice. Certain operating leases provide for renewal options for an indefinite period at their fair rental value at the time of renewal. In the normal course of business, operating leases are generally renewed or replaced by other leases. Minimum future lease payments under operating leases as of September 30, and for each subsequent year in the aggregate are provided below:

<u>Year Ending September 30,</u>	<u>Amount</u>
2008	\$ 22,833
2009	<u>-0-</u>
Total minimum lease payments	\$ <u>22,833</u>

NOTE 13 - NET PATIENT SERVICE REVENUE

The District has agreements with third-party payors that provide for payments to the District at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows.

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NOTE 13 - NET PATIENT SERVICE REVENUE (Continued)

Medicare - Prior to November 1, 2004, inpatient acute care services rendered to Medicare program beneficiaries were paid at prospectively determined rates per discharge. These rates varied according to a patient classification system that was based on clinical, diagnostic and other factors. Certain outpatient services related to Medicare beneficiaries were paid based on a set fee per diagnosis, with a hold harmless provision for cost reimbursement. Swing bed routine services were reimbursed based upon a prospectively determined rate per patient day based on clinical, diagnostic, and other factors. Effective November 1, 2004, the District became a Medicare "Critical Access Hospital" (CAH). This designation enables the District to receive cost based reimbursement for most services provided to Medicare beneficiaries on or after this date.

The District is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary. The District's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the District. The District's Medicare cost reports have been settled by the Medicare fiscal intermediary through September 30, 2005.

Medicaid - Inpatient acute and psychiatric services are reimbursed based on a prospectively determined per diem rate. Some outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology, while others are paid prospectively based on a fee schedule. The District is reimbursed at a tentative rate for cost based services with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicaid fiscal intermediary. The District's Medicaid cost reports have been examined by the Medicaid fiscal intermediary through September 30, 2003.

Commercial - The District has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the District under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

The following is a summary of the Hospital's net patient service revenue for the year ended September 30:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Gross patient service charges	\$ 24,847,368	\$ 25,954,102	\$ 27,175,821
Contractual adjustments	(11,967,445)	(13,153,336)	(13,658,782)
Medicaid disproportionate share payments	1,579,390	1,952,970	1,469,207
Discounts	(1,650,621)	(1,160,605)	(1,212,668)
Provision for bad debts	<u>(2,236,870)</u>	<u>(2,018,179)</u>	<u>(2,403,460)</u>
Net patient service revenue	\$ <u>10,571,822</u>	\$ <u>11,574,952</u>	\$ <u>11,370,118</u>

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NOTE 13 - NET PATIENT SERVICE REVENUE (Continued)

The District generated a substantial portion of its charges from the Medicare and Medicaid programs at discounted rates. The following is a summary of gross Medicare and Medicaid patient charges for the years ended September 30, 2007, 2006 and 2005:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Medicare and Medicaid gross patient charges	\$ 17,884,630	\$ 19,770,516	\$ 20,150,675
Contractual adjustments	<u>(10,388,055)</u>	<u>(11,200,366)</u>	<u>(12,189,575)</u>
Program patient service revenue	\$ <u>7,496,575</u>	\$ <u>8,570,150</u>	\$ <u>7,961,100</u>
Percent of total gross patient revenue	<u>72%</u>	<u>76%</u>	<u>74%</u>
Percent of total net patient revenue	<u>71%</u>	<u>74%</u>	<u>70%</u>

The District received interim amounts of \$1,579,390, \$1,952,970 and \$1,469,207 for Medicaid and self-pay uncompensated care services (UCC) for the years ended September 30, 2007, 2006 and 2005, respectively, which represents 14.9%, 16.9% and 12.9% of net patient service revenue, respectively. The interim amounts received are based upon uncompensated cost incurred in previous years. Current regulations limit UCC to actual cost incurred by the District in each state fiscal year. Any overpayments will be recouped by Medicaid after audit by Medicaid. Management estimated the District was overpaid by \$284,000 during the year ended fiscal 2007, and has made provisions for such recoupment. To the extent management's estimates differ from actual results; the differences will be used to adjust income for the period when differences arise. Future uncompensated cost payments are dependent upon state appropriations, which require annual approval by the state legislature. Should the state not fund or substantially change this program, it would have a significant impact on the District's revenue.

NOTE 14 - PROFESSIONAL LIABILITY RISK

The District participates in the Louisiana Patient's Compensation Fund ("PCF") established by the State of Louisiana to provide medical professional liability coverage to healthcare providers. The fund provides for \$400,000 in coverage per occurrence above the first \$100,000 per occurrence for which the District is at risk.

The fund places no limitation on the number of occurrences covered. In connection with the establishment of the Patient's Compensation Fund, the State of Louisiana enacted legislation limiting the amount of healthcare provider settlement for professional liability to \$100,000 per occurrence and limited the PCF's exposure to \$400,000 per occurrence.

The District's membership in the Louisiana Hospital Association Trust Fund provides additional coverage for professional medical malpractice liability. The trust fund bills members in advance, based upon an estimate of their exposure. At policy year-end, premiums are re-determined utilizing actual losses of the District. The trust fund presumes to be a "Grantor Trust" and, accordingly, income and expenses are prorated to member

PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
d/b/a RIVERLAND MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2007, 2006 AND 2005

NOTE 14 - PROFESSIONAL LIABILITY RISK (Continued)

hospitals. The District has included these allocations of income and equity in the trust in its financial statements.

NOTE 15 - SALES TAX REVENUE

During the year ended September 30, 1985, the voters of the District passed a one-fourth cent sales tax, which was renewed for an additional ten years in 1995. An additional ten year renewal was approved by voters in January, 2005. The sales tax is collected by the Concordia Parish School Board for a five percent collection fee.

NOTE 16 - SELF-FUNDED BENEFIT PLAN

The District maintains a self-funded medical/drug benefit plan. The District entered into an agreement on November 1, 1997, with a third-party administrator to administer the plan. The plan year runs from November 1 through October 31. The District purchases "excess" insurance coverage that provides for payment of claims over the \$50,000 specific deductible. During fiscal year 2006 the District also covered the \$200,000 named aggregating specific deductible for two employees, with a maximum liability of \$996,000. In fiscal year 2007, the maximum liability would be \$1,195,000 with a named aggregating specific deductible for two employees of \$225,000. Each plan year the amount of "excess" insurance coverage can change based on the claims processed during the plan year.

NOTE 17 - CONTINGENCIES

The District evaluates contingencies based upon the best available evidence. The District believes that no allowances for loss contingencies are considered necessary. To the extent that resolution of contingencies results in amounts which vary from the District's estimates, future earnings will be charged or credited.

The principal contingencies are described below:

Governmental Third-Party Reimbursement Programs (Note 13) - The District is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statutes, regulations and general instructions of those programs. The amount of such adjustments cannot be determined. Further, in order to continue receiving reimbursement from the Medicare program, the District entered into an agreement with a government agent allowing the agent access to the District's Medicare patient medical records for purposes of making medical necessity and appropriate level of care determinations. The agent has the ability to deny reimbursement for Medicare patient claims which have already been paid to the District.

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure,

PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
d/b/a RIVERLAND MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2007, 2006 AND 2005

NOTE 17 - CONTINGENCIES (Continued)

accreditation, privacy, government healthcare program participating requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the District is in compliance with fraud and abuse statutes as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

Professional Liability Risk (Note 14) - The District is contingently liable for losses from professional liability not underwritten by the Louisiana Patient's Compensation Fund or the Louisiana Hospital Association Trust Fund as well as for assessments by the Louisiana Hospital Association Trust Fund.

Workers' Compensation Risk - The District participates in the Louisiana Hospital Association Self-Insurance Workers' Compensation Trust Fund. Should the fund's assets not be adequate to cover claims made against it, the District may be assessed its pro rata share of the resulting deficit. It is not possible to estimate the amount of additional assessments, if any. Accordingly, the District is contingently liable for assessments by the Louisiana Hospital Association Trust Fund. The trust fund is also a "Grantor Trust" and income and expenses are pro rated to member hospitals. The District included these allocations of income and equity in the trust in its financial statements.

Litigation and Other Matters - Various claims in the ordinary course of business are pending against the District. In the opinion of management and counsel, insurance is sufficient to cover adverse legal determinations in those cases where a liability can be measured.

Payroll Taxes and Withholdings - Federal and State withholdings and payroll taxes were not paid timely during the last two quarters of fiscal year 2006. Applicable payroll reports were not filed for fiscal year 2006. Payment of late payroll taxes and withholdings were made in fiscal year 2007 and appropriate reports were filed with the Internal Revenue Service (IRS). Management believes all payroll reports are now filed and current.

NOTE 18 - CHARITY CARE

The District has a policy of providing charity care to indigent patients in emergency situations. The foregone charges of free care provided is \$280,692, \$705 and \$99,730 for the respective fiscal years ended in 2007, 2006 and 2005.

PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
d/b/a RIVERLAND MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2007, 2006 AND 2005

NOTE 19 - JOINT VENTURE

The District entered into a cooperative endeavor (ie: joint venture) with a home health company on July 15, 2000. The District shares one-third of the profits and leased space to this organization through March 31, 2007. The District's share of profits were \$61,066, \$92,085 and \$75,831 for fiscal years ended in 2007, 2006 and 2005, respectively. Rental income was \$12,000, \$18,000 and \$18,000 for fiscal years ended in 2007, 2006 and 2005, respectively.

NOTE 20 - GOING CONCERN

As shown in the accompanying financial statements, the District has a current ratio of 1.32 as of September 30, 2007. This financial indicator combined with three of the last five years of negative earnings creates an uncertainty about the District's ability to continue as a going concern. Management of the District has developed the following plan to reduce its receivables and expenses and return the District to a profitable position. The ability of the District to continue as a going concern is dependent on the plan's success. The financial statements do not include any adjustments that might be necessary if the District is unable to continue as a going concern.

- Effective November 1, 2004, the District converted to critical access hospital status for Medicare reimbursement on a cost based basis. This has increased Medicare reimbursement and has allowed the District to obtain partial reimbursement for capital expenses.
- The District permanently closed the Labor and Delivery department November 2006. This has allowed the District to reduce full time staffing requirements.
- Outpatient surgery has been moved to the space formerly used by labor and delivery unit. This will optimize the reimbursement for the square footage in this area.
- The Administration and nursing staff are working with the medical staff to maximize the utilization of the Swing bed program.
- The Administration has recruited a new family practice physician and plans to open a hospital based rural health clinic with the new physician as clinic director. The rural health clinic will qualify for cost based reimbursement.
- The administrator continues to review all accounts receivables on a monthly basis and makes collection directives on claims not paid in a timely fashion.
- The District has expanded the capability of its internal medicine clinic by recruiting another physician with an internal medicine specialty. This will increase patient contacts in the clinic and possibly lead to increased hospital admissions.

NOTE 21 - SUBSEQUENT EVENT

On October 10, 2007, the District paid the total due of \$413,417 on the Certificates of Indebtedness Series 2007. This included the total principal of \$400,000 and the total interest of \$13,417 due on the Certificates.

SUPPLEMENTARY INFORMATION

PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
d/b/a RIVERLAND MEDICAL CENTER
SCHEDULES OF NET PATIENT SERVICE REVENUE
YEARS ENDED SEPTEMBER 30,

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Routine Services:			
Adult and pediatric	\$ 671,970	\$ 939,040	\$ 1,143,820
Swing bed	61,000	57,800	53,300
Intensive care	627,050	477,100	517,400
Nursery	<u>-0-</u>	<u>60,000</u>	<u>85,800</u>
Total routine services	<u>1,360,020</u>	<u>1,533,940</u>	<u>1,800,320</u>
Other Professional Services:			
Operating room			
Inpatient	150,500	202,900	340,250
Outpatient	<u>511,151</u>	<u>620,800</u>	<u>619,000</u>
Total operating room	<u>661,651</u>	<u>823,700</u>	<u>959,250</u>
Recovery room			
Inpatient	17,850	74,550	105,350
Outpatient	<u>97,300</u>	<u>136,600</u>	<u>156,500</u>
Total recovery room	<u>115,150</u>	<u>211,150</u>	<u>261,850</u>
Labor/delivery room			
Inpatient	<u>-0-</u>	<u>191,550</u>	<u>274,800</u>
Anesthesia			
Inpatient	44,600	39,315	47,610
Outpatient	<u>342,815</u>	<u>445,200</u>	<u>474,208</u>
Total anesthesia	<u>387,415</u>	<u>484,515</u>	<u>521,818</u>
Radiology			
Inpatient	1,324,624	1,124,243	1,063,017
Outpatient	<u>3,989,219</u>	<u>4,468,225</u>	<u>3,436,253</u>
Total radiology	<u>5,313,843</u>	<u>5,592,468</u>	<u>4,499,270</u>
Laboratory			
Inpatient	1,599,849	1,609,071	1,683,656
Outpatient	<u>3,762,103</u>	<u>3,834,050</u>	<u>3,906,596</u>
Total laboratory	<u>\$ 5,361,952</u>	<u>\$ 5,443,121</u>	<u>\$ 5,590,252</u>

PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
d/b/a RIVERLAND MEDICAL CENTER
SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)
YEARS ENDED SEPTEMBER 30,

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Blood			
Inpatient	\$ 183,638	\$ 153,930	\$ 170,795
Outpatient	<u>43,813</u>	<u>52,355</u>	<u>56,723</u>
Total blood	<u>227,451</u>	<u>206,285</u>	<u>227,518</u>
Respiratory care			
Inpatient	1,979,837	1,542,895	2,126,677
Outpatient	<u>310,925</u>	<u>358,176</u>	<u>283,564</u>
Total respiratory care	<u>2,290,762</u>	<u>1,901,071</u>	<u>2,410,241</u>
IV therapy			
Inpatient	724,843	851,093	1,020,252
Outpatient	<u>352,255</u>	<u>452,157</u>	<u>472,644</u>
Total IV therapy	<u>1,077,098</u>	<u>1,303,250</u>	<u>1,492,896</u>
Physical & speech therapy			
Inpatient	4,876	4,900	5,636
Outpatient	<u>155,215</u>	<u>74,988</u>	<u>83,085</u>
Total physical & speech therapy	<u>160,091</u>	<u>79,888</u>	<u>88,721</u>
EKG and EEG			
Inpatient	121,193	78,152	105,996
Outpatient	<u>193,963</u>	<u>163,576</u>	<u>189,452</u>
Total EKG and EEG	<u>315,156</u>	<u>241,728</u>	<u>295,448</u>
Medical supply			
Inpatient	955,729	1,098,205	1,233,322
Outpatient	<u>1,342,329</u>	<u>1,949,659</u>	<u>1,745,905</u>
Total medical supply	\$ <u>2,298,058</u>	\$ <u>3,047,864</u>	\$ <u>2,979,227</u>

PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
d/b/a RIVERLAND MEDICAL CENTER
SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)
YEARS ENDED SEPTEMBER 30,

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Pharmacy			
Inpatient	\$ 1,481,999	\$ 1,480,860	\$ 1,700,562
Outpatient	<u>880,486</u>	<u>1,001,655</u>	<u>1,245,543</u>
Total pharmacy	<u>2,362,485</u>	<u>2,482,515</u>	<u>2,946,105</u>
Emergency room			
Inpatient	-0-	50	30
Outpatient	<u>1,262,600</u>	<u>924,760</u>	<u>992,937</u>
Total emergency room	<u>1,262,600</u>	<u>924,810</u>	<u>992,967</u>
Emergency room physician fees			
Outpatient	<u>875,876</u>	<u>909,627</u>	<u>950,809</u>
Hospitalist physician fees			
Inpatient	-0-	-0-	135,017
Outpatient	<u>-0-</u>	<u>-0-</u>	<u>3,373</u>
Total hospitalist physician fees	<u>-0-</u>	<u>-0-</u>	<u>138,390</u>
Monitor			
Inpatient	156,604	115,444	245,000
Outpatient	<u>8,918</u>	<u>15,778</u>	<u>3,038</u>
Total monitor	\$ <u>165,522</u>	\$ <u>131,222</u>	\$ <u>248,038</u>

PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
d/b/a RIVERLAND MEDICAL CENTER
SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)
YEARS ENDED SEPTEMBER 30,

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Clinics			
St. Joseph	\$ -0-	\$ -0-	\$ 40,076
Pediatric clinic	-0-	90	148,465
RMC Family Medicine No. 1	332,894	99,584	-0-
RMC Family Medicine No. 2	22,869	-0-	-0-
Darakshan clinic	<u>256,475</u>	<u>345,724</u>	<u>309,360</u>
Total clinics	<u>612,238</u>	<u>445,398</u>	<u>497,901</u>
Total other professional services	<u>23,487,348</u>	<u>24,420,162</u>	<u>25,375,501</u>
Gross patient service revenue	<u>24,847,368</u>	<u>25,954,102</u>	<u>27,175,821</u>
Deductions from Revenue:			
Medicare and Medicaid contractual adjustments	11,967,445	13,153,336	13,658,782
Provision for bad debt	1,956,178	2,018,179	2,403,460
Uncompensated care reimbursement	(1,579,390)	(1,952,970)	(1,469,207)
Uncompensated services	280,692	705	37,996
Other	<u>1,650,621</u>	<u>1,159,900</u>	<u>1,174,672</u>
Total deductions from revenue	<u>14,275,546</u>	<u>14,379,150</u>	<u>15,805,703</u>
Net patient service revenue	\$ <u>10,571,822</u>	\$ <u>11,574,952</u>	\$ <u>11,370,118</u>

PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
d/b/a RIVERLAND MEDICAL CENTER
SCHEDULES OF OTHER REVENUE
YEARS ENDED SEPTEMBER 30,

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Meals sold to employees	\$ 48,922	\$ 54,651	\$ 88,065
Medical records revenue	11,010	10,932	13,604
Vending machine commissions	1,984	2,594	2,683
Rental income	19,000	25,700	29,864
Home health joint venture payments	61,066	92,085	75,831
Payroll tax adjustment	62,217	-0-	-0-
Miscellaneous revenue	<u>99,172</u>	<u>51,558</u>	<u>59,288</u>
 Total other revenue	 \$ <u>303,371</u>	 \$ <u>237,520</u>	 \$ <u>269,335</u>

PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
d/b/a RIVERLAND MEDICAL CENTER
SCHEDULES OF EXPENSES - SALARIES AND BENEFITS
YEARS ENDED SEPTEMBER 30,

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Administration	\$ 555,369	\$ 561,351	\$ 522,824
Plant operations and maintenance	128,112	124,790	116,025
Laundry	15,291	14,991	15,113
Housekeeping	85,370	103,505	104,013
Dietary and cafeteria	104,374	136,984	134,593
Medical records	164,485	156,577	127,946
Nursing services	1,005,475	1,097,672	1,014,468
Intensive care unit	680,021	650,445	617,694
Nursery	-0-	31,198	56,327
Operating room	245,002	249,739	241,588
Delivery room	-0-	314,025	491,833
Anesthesiology	275,773	275,773	272,468
Radiology	369,983	352,958	349,677
Laboratory	450,248	405,349	409,888
Respiratory therapy	288,128	294,384	270,915
Central supply	60,724	49,856	48,891
Pharmacy	183,008	195,007	144,623
Emergency room	530,273	493,310	477,933
Clinics	<u>563,219</u>	<u>392,731</u>	<u>343,614</u>
 Total salaries	 <u>5,704,855</u>	 <u>5,900,645</u>	 <u>5,760,433</u>
 Payroll taxes	 73,441	 74,300	 75,453
Hospital insurance	444,463	1,110,218	573,346
Other	<u>14,109</u>	<u>23,508</u>	<u>18,891</u>
 Total benefits	 <u>532,013</u>	 <u>1,208,026</u>	 <u>667,690</u>
 Total salaries and benefits	 \$ <u>6,236,868</u>	 \$ <u>7,108,671</u>	 \$ <u>6,428,123</u>

PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
d/b/a RIVERLAND MEDICAL CENTER
SCHEDULES OF EXPENSES - MEDICAL SUPPLIES AND DRUGS
YEARS ENDED SEPTEMBER 30,

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Nursing services	\$ 4,932	\$ 4,690	\$ 5,254
Intensive care unit	3,771	6,516	3,880
Nursery	-0-	3,642	5,860
Operating room	198,107	123,379	125,955
Delivery room	-0-	26,173	30,089
Anesthesiology	5,838	6,953	4,453
Radiology	56,865	71,034	66,892
Laboratory and blood	494,039	484,694	467,973
IV therapy	52,411	63,262	79,369
Respiratory therapy	36,098	43,702	38,344
Physical therapy	-0-	112	-0-
Central supply	128,775	218,621	217,682
Pharmacy	402,234	421,523	609,565
Emergency room	18,342	21,078	13,493
Clinics	<u>11,307</u>	<u>4,681</u>	<u>15,379</u>
 Total medical supplies and drugs	 \$ <u>1,412,719</u>	 \$ <u>1,500,060</u>	 \$ <u>1,684,188</u>

PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
d/b/a RIVERLAND MEDICAL CENTER
SCHEDULES OF EXPENSES - PROFESSIONAL FEES
YEARS ENDED SEPTEMBER 30,

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Nursery	\$ -0-	\$ 2,560	\$ 3,840
Operating room	67,500	62,500	65,000
Ultrasound	88,842	80,026	83,374
Laboratory	19,040	12,000	12,000
Respiratory therapy	10,006	-0-	-0-
Physical therapy	54,319	32,385	44,078
EKG	15,211	13,573	5,456
Emergency room	893,847	927,837	848,364
Hospitalist	<u>-0-</u>	<u>-0-</u>	<u>246,228</u>
 Total professional fees	 \$ <u>1,148,765</u>	 \$ <u>1,130,881</u>	 \$ <u>1,308,340</u>

PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
d/b/a RIVERLAND MEDICAL CENTER
SCHEDULES OF EXPENSES - OTHER EXPENSES
YEARS ENDED SEPTEMBER 30,

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Contract services	\$ 57,178	\$ 89,689	\$ 50,805
Collection fees	35,704	54,226	70,103
Director fees	2,285	1,975	1,850
Legal and accounting	68,858	82,084	65,620
Supplies	314,238	393,299	333,106
Repairs and maintenance	251,075	306,429	250,426
Utilities	257,757	284,520	242,773
Telephone	59,181	52,919	46,811
Travel	11,038	9,269	10,771
Rentals	46,447	75,347	84,966
Education	7,971	4,817	4,182
Advertising	27,412	27,776	7,138
Dues and subscriptions	141,126	108,939	15,632
Physician recruitment	39,220	32,801	35,733
Miscellaneous	<u>121,292</u>	<u>43,737</u>	<u>151,250</u>
Total other expenses	\$ <u>1,440,782</u>	\$ <u>1,567,827</u>	\$ <u>1,371,166</u>

PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
d/b/a RIVERLAND MEDICAL CENTER
SCHEDULES OF PER DIEM AND OTHER
COMPENSATION PAID TO BOARD MEMBERS
YEARS ENDED SEPTEMBER 30,

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Board Members:			
Mr. Theodore McCoy	\$ 330	\$ 300	\$ 275
Mr. Fred Butcher	330	300	275
Mrs. Rena Pitts	330	300	275
Ms. Carolyn Magoun	330	300	275
Mr. Jim Graves	330	300	275
Mr. Larry Chauvin	330	200	-0-
Dr. Carrie Bonomo	305	-0-	-0-
Mr. Larry McManus	-0-	-0-	175
Dr. Herman Gibson	-0-	75	275
Mr. Tommy Massey	-0-	-0-	25
Ms. Mary Henderson	-0-	200	-0-
	<hr/>	<hr/>	<hr/>
Totals	\$ <u>2,285</u>	\$ <u>1,975</u>	\$ <u>1,850</u>

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Commissioners
Parishwide Hospital Service District
Parish of Concordia, State of Louisiana
(d/b/a Riverland Medical Center)
Ferryday, Louisiana

We have audited the financial statements of the Parishwide Hospital Service District of the Parish of Concordia, d/b/a Riverland Medical Center (the District or the Hospital) as of and for the years ended September 30, 2007, 2006 and 2005, and have issued our report thereon dated February 11, 2008. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Riverland Medical Center's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Riverland Medical Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Riverland Medical Center's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Riverland Medical Center's financial statements that is more than inconsequential will not be prevented or detected by Riverland Medical Center's internal control. We consider the deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-1, 2007-2, and 2007-3.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Riverland Medical Center's internal control.

Board of Commissioners
Parishwide Hospital Service District
Parish of Concordia, State of Louisiana
(d/b/a Riverland Medical Center)
Ferryday, Louisiana
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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Riverland Medical Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings as items 2007-4 and 2007-5.

Riverland Medical Center's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit Riverland Medical Center's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the audit committee, and the office of the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

Lester, Mulla & Wells

Certified Public Accountants
February 11, 2008



PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
d/b/a RIVERLAND MEDICAL CENTER
AUDITORS' COMMENTS AND RECOMMENDATIONS
YEAR ENDED SEPTEMBER 30, 2007

Current Year Findings

Internal Controls

2007-1

Finding: Misclassifications of assets, revenues, and expenses were found during our audit. These can result in misstatements of interim financial information.

Recommendation: Additional education and training of accounting staff should be done.

Management's Response: Current staff is being trained on proper coding and classifications of assets.

2007-2

Finding: In the past, the auditors were able to draft the financial statements with management accepting responsibility. Effective for financial statements ending on or after December 15, 2006, SAS 112 now requires management to ensure propriety and completeness of the financial statements and related footnotes. The staff responsible for preparation of financial statements and related footnote disclosures in accordance with generally accepted accounting principles (GAAP) lacks the knowledge and/or resources necessary internally to complete the reporting requirements.

Recommendation: Management should either (a) obtain the knowledge and/or resources necessary to internally prepare or review the auditor's preparation of the District's financial statements and related footnote disclosures in accordance with GAAP, or (b) determine if the cost overrides the benefit of correcting this control deficiency.

Management's Response: Management has reviewed this comment and feels that the extreme cost to recruit and train personnel to perform these tasks would not be beneficial at this time. Management feels that personnel and training costs would greatly exceed CPA fees for this task.

2007-3

Finding: Due to a limited number of available employees, there is not a complete segregation of duties in all accounting, recording and custody functions.

Recommendation: We recommend that duties be segregated to the extent possible to prevent both intentional and unintentional errors. Segregation includes 1) separating transaction authorization from custody of related assets; 2) separating transaction recording from general ledger posting and maintenance; 3) separating operations responsibility from record-keeping. Where these segregations are not possible, we recommend close supervision and review.

Management's Response: Due to limited staffing with the technical skills to perform these duties management feels that close supervision of the personnel assigned to those tasks is the preferred solution. Administration will continue to monitor these tasks on a daily basis.

PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
d/b/a RIVERLAND MEDICAL CENTER
AUDITORS' COMMENTS AND RECOMMENDATIONS
YEAR ENDED SEPTEMBER 30, 2007

Current Year Findings (Continued)

Compliance

2007-4

Finding: The District did not include relocation payments and payment of a physician's student loan in compensation reported to the Internal Revenue Service.

Recommendation: The District should report compensation for non-accountable payments for moving expenses and physician loan payments to the Internal Revenue Service.

Management's Response: Management is aware and will ensure that future relocation payments and student loan payments are reported as income when appropriate and necessary.

2007-5

Finding: We found under-collateralized cash balances at one bank. Louisiana state statutes require that all deposits of a governmental entity be protected by insurance or collateral. Under-secured balances increase the custodial credit risk of the entity. One bank continued to have outdated signature cards.

Recommendation: Management should verify amount of FDIC insurance and pledged securities at each bank during the year to ensure all cash balances are properly protected. When there is a change in management or board members the signature cards should be updated immediately for the change.

Management's Response: Management contacted the bank and received confirmation of pledged securities the next day. Management will verify cash balances are properly protected during the year.

PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
d/b/a RIVERLAND MEDICAL CENTER
AUDITORS' COMMENTS AND RECOMMENDATIONS
YEAR ENDED SEPTEMBER 30, 2007

Prior Years' Findings

Internal Control

2006-1

Finding: We found several issues regarding internal controls for cash and deposits. 1. Deposits for cash accounts were erroneously posted to the general ledger when either no deposit was made and the checks were outstanding or the deposit was actually made in the following month. 2. Checks were being held after signatures were obtained because of cash flow inadequacies. The holding of these checks created misstatements of cash and liability balances. 3. Outdated signature cards exist at the banks for the District's cash accounts. 4. The Flexible Benefits cash account has one person who writes and signs the checks. They also reconcile the bank statement with no oversight.

Recommendation: Educating staff, oversight by authorized personnel and following the District's internal control policies will aid in the prevention of incorrect postings and misstatements throughout the year. Checks should not be created until the liability or expense will actually be paid. Checks should be mailed the same day they are printed and signed. The staff member who has responsibility for the Flexible Benefits account should be removed from the signature card. Cash management of the District's resources should be a priority of management.

Management's Response: Personnel will be educated. Checks will be mailed timely, the staff member will be removed from authorized signers, signature cards will be updated and more management oversight will be implemented.

Resolution: This finding has been partially resolved. Outdated signature cards exist at one bank at year end and the staff member who has responsibility for the Flexible Benefits account is still on the signature card.

2006-2

Finding: We found problems in the timely billing, follow-up, collection, and valuation of accounts receivable. 1. Commercial insurance denials were not being worked timely. This resulted in a number of claims exceeding the statute of limitations for rebilling and payment. 2. Numerous accounts are being returned by the postal service due to incorrect addresses. These incorrect addresses are not being researched, updated, and re-billed timely. The audit revealed accounts totaling approximately \$90,000 with incorrect addresses. 3. The allowance established for uncollectible commercial insurance and self-pay accounts is not adequate.

Recommendation: Commercial insurance accounts should be billed timely and denials should be worked timely. Failure to correct and re-bill denied claims timely could result in ultimate denial of the claim due to exceeding the statute of limitations. The admitting office staff should be educated on ways to gather and confirm accurate patient information upon admission. Allowances should be established that actually reflect historical collectibility of commercial and self-pay accounts. Management should consider alternative methods of collection such as, outsourcing self-pay collections immediately, auditing commercial claims for accuracy of information before filing, and vigorously pursuing collection of all receivables to prevent the growth of accounts receivable and improve cash flow of the District.

PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
d/b/a RIVERLAND MEDICAL CENTER
AUDITORS' COMMENTS AND RECOMMENDATIONS
YEAR ENDED SEPTEMBER 30, 2007

Prior Years' Findings (Continued)

Internal Control (Continued)

2006-2 (Continued)

Management's Response: Administrator will review aging accounts receivable reports to insure third-party claims are filed and collected in a timely manner. Collection procedures will be reviewed.

Resolution: The Hospital has made progress in resolving the problem of incorrect addresses, however, some of the clinics are still not billing timely. This matter has not been resolved.

2006-3

Finding: The proper accrual of expenses on a timely basis continues to be a problem. Invoices were not accrued in the correct period and were not paid timely. Expense accruals are needed for invoices received after month and year end to appropriately match expenses and revenues. Without accurate accruals, assets, liabilities and expenses are misstated on interim financial statements. Neither department heads, the CFO, the Administrator nor the Assistant Administrator have signed and approved accounts payable invoices on a consistent basis as described in the District's internal controls. Invoices were given to the accounting department only once a month contributing to the problem of expenses being posted in an incorrect month.

Recommendation: Expenses should be accrued and posted at month end. Estimates can be used if an invoice is not received. The education of department heads and staff members regarding the policies of the District as well as oversight by authorized personnel will aid in the correct posting of assets, liabilities and expenses. Invoices should not be paid until signed by authorized personnel. We recommend authorized personnel return signed invoices to the accounting department on a weekly basis.

Management's Response: Staff has contacted software vendor and accruals are being posted in the correct month. Authorized personnel are returning signed invoices to accounting on a more timely basis. Invoices are being signed by appropriate personnel. Some solutions to the above problems are still being reviewed.

Resolution: This matter has been resolved.

2006-4

Finding: An ongoing problem is the use of signature stamps almost exclusively for accounts payable and payroll checks. This contributes to a lack of control over purchases, the timing of payments and lack of knowledge of what is being paid by the appropriate level of management.

Recommendation: We recommend at least one of the authorized signers sign all checks and review the documentation for the requested payment.

Management's Response: The recommendation will be done.

Resolution: This matter has been resolved.

PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
d/b/a RIVERLAND MEDICAL CENTER
AUDITORS' COMMENTS AND RECOMMENDATIONS
YEAR ENDED SEPTEMBER 30, 2007

Prior Years' Findings (Continued)

Internal Control (Continued)

2006-5

Finding: We found a continuing problem in the classification of leases as either capital or operating. Misclassifications of leases lead to the posting of rental expense for operating leases to lease payable accounts or the posting to expense what should be a principal payment on a capital lease.

Recommendation: We recommend criteria for capital and operating leases are made available for staff to use in recognizing leases as either operating or capital to determine the correct accounts to post expenses.

Management's Response: Management will perform this recommendation.

Resolution: Improvement has been made in this area and continued education should aid in resolving this matter.

Compliance

2006-6

Finding: Federal and state payroll withholdings and taxes were not paid timely. The related payroll reports (941, etc.) were not filed in a timely manner. \$84,000 in state withholdings had not been submitted at year end. \$232,000 in federal withholdings had not been submitted at year end. Notices from the Internal Revenue Service (IRS) of non payment were received and ignored.

Recommendation: Immediately contact the IRS and Louisiana Department of Revenue to determine tax liability and which reports need to be filed. Payroll tax deposits should be made timely and applicable payroll reports filed timely.

Management's Response: After resignation of CFO, withholdings were submitted, taxes were paid, reports have been filed up to the current time and research is being done to determine if any other reports need to be filed or taxes need to be paid.

Resolution: This matter has been resolved.

2006-7

Finding: The District continues to provide a lot of uncompensated services but these services are not being documented as such. Documented uncompensated services decreased from \$100,000 in fiscal year 2004 to \$705 in fiscal year 2006.

Recommendation: The District should provide its free care policy to each patient prior to admission or treatment. Patient charges for qualifying patients should be written off to uncompensated services and not bad debts.

PARISHWIDE HOSPITAL SERVICE DISTRICT
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Prior Years' Findings (Continued)

Internal Controls (Continued)

2006-7 (Continued)

Management's Response: The Business Office will begin documenting free care provided to patients.

Resolution: This matter has been resolved.

2005-1

Finding: Several new capital leases did not contain a non-appropriation clause and were not approved by the Louisiana State Bond Commission.

Recommendation: We recommend obtaining non-appropriation clauses for all capital leases.

Management's Response: The District will request addendums to add the non-appropriation clause to all new capital leases. Also, legal counsel will be required to review all future lease agreements before the administrator is authorized to sign the documents.

Resolution: This matter has not been resolved.

2003-1:

Finding: A significant number of adjusting journal entries was necessary during the audit in order to present the District's financial statements according to generally accepted accounting principles. Prior year audit adjusting entries were not entered into the District's accounting system until August, 2003. The preliminary net income for the twelve months ended September 30, 2003 was reduced by over \$2.5 million to produce a net loss as reported according to generally accepted accounting principles.

Recommendation: We recommend management place more emphasis on accurately reporting the District's financial status on an interim basis. Accurate interim information is necessary to make informed decisions throughout the year. We also recommend management monitor Medicare, Medicaid and insurance contractual adjustments as well as bad debt percentages during the year in order to provide more meaningful interim information.

Management's Response: Administration will place more emphasis on timely and accurate interim financial statements. Administration will monitor Medicare and Medicaid payments and adjustments each month to accurately track financial adjustments.

Resolution: While improvement in the financial reporting area was noted, efforts should continue so that additional progress can be made.

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AUDITORS' COMMENTS AND RECOMMENDATIONS
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Prior Years' Findings (Continued)

Internal Controls (Continued)

2003-4

Finding: The District did not include all activity or bank account balance of a checking account on the books of the District.

Recommendation: We recommend recording all assets owned by the District on the books of the District and its financial statements.

Management's Response: All assets owned by the District will be recorded on the books of the District and its financial statements.

Resolution: This matter has not been resolved.